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Uniform system of accounts for limited dividend housing companies

New York (State). State Board of Housing

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UNIFORM SYSTEM OF ACCOUNTS FOR LIMITED DIVIDEND HOUSING COMPANIES

PRESCRIBED BY THE
BOARD OF HOUSING
DIVISION OF ARCHITECTURE, DEPARTMENT OF
PUBLIC WORKS
STATE OF NEW YORK



JANUARY, 1929

"The State Board of Housing, having given consideration to the matter of establishing uniform methods and forms of keeping accounts, records and books to be observed by limited dividend housing corporations now or in the future operating under the State Housing Law, and a draft of a uniform system for accounts having been submitted by the Board's consulting accountant, Mr. Ernest Willvonseder, C.P.A., and duly considered by the Board, it is

"Ordered, That the draft of a uniform system of accounts for limited dividend housing corporations now presented to the Board, be and the same hereby is adopted, approved and ordered on file, and that pursuant to Section 15 of the State Housing Law, the methods and forms of keeping accounts, records and books therein set forth are hereby prescribed for the use of all limited dividend housing corporations under the State Housing Law effective for the fiscal year beginning January 1, 1928, and that the books and records of all such corporations shall be kept in accordance therewith."

I hereby certify that I have compared the foregoing with the original minutes of a meeting of the State Board of Housing duly held on the 19th day of December, 1928, and that the same is a true transcript thereof and that the following pages contain a correct copy of the uniform system of accounts on file in this office and referred to in the foregoing resolution.

Dated, December 20, 1928.

STATE BOARD OF HOUSING,

BY: GEORGE GOVE,
Secretary.

UNIFORM SYSTEM OF ACCOUNTS FOR LIMITED DIVIDEND HOUSING COMPANIES

GENERAL INSTRUCTIONS

The uniform system of accounts herewith prescribed is divided into two general parts, the first having to do with construction and the second with operation of buildings. It is recognized that a company operating under the act may:

- (a) Construct its building.
- (b) Let a contract for construction to a general contractor for a lump sum.
- (c) Let a contract for construction to a general contractor on a cost plus basis.

In those cases where buildings are constructed under (b) that part of the uniform system prescribing construction accounts does not apply. In such cases building cost will be principally the total amount paid the general contractor. In all cases where companies construct their own buildings, or act as their own general contractor or where construction is authorized under a cost plus contract, the construction accounts must be kept.

All companies must, however, ascertain the cost of wrecking and clearing site, excavation, shoring and piling and foundation walls. The cost of these items must be shown as separate charges, wrecking and clearing to land cost and the others, to the building account.

The Board makes no attempt to outline in detail the subsidiary accounting records to be used. The system as prescribed requires only a general ledger, journal and cash book and each company is free to use such subsidiary books and records which it in its discretion may find appropriate, providing they afford a ready means for proper audit of the accounts in the three main obligatory books of account, that they be in permanent form, and providing further that they give complete information on all matters generally found in subsidiary accounting records.

The system calls for the double entry method of keeping accounts. The fiscal year must in all cases be the calendar year. For this reason the first annual closing will generally be for the fractional part of a year.

For the purposes of accounting a "project" shall be the unit. Where a company undertakes the construction and operation of one project only all of its fiscal transactions, including the general overhead of the company itself, naturally relate to the single project for which the corporation was organized. Where a company is organized for the purpose of constructing more than one project or where after it has successfully financed and constructed

a project it undertakes the construction and operation of further projects, separate sets of operating accounts as here outlined must be kept for each such project.

Companies undertaking more than one project will be confronted with certain accounting questions having to do with the proper allocation of overhead as between projects. No hard and fast rules can be laid down to govern. Before making such allocations they must be submitted to the Board for its ruling.

Companies will probably make the calendar month the accounting period but they are not obliged to do so under these instructions. They must, however, make the accounting period not more than three months, the periods terminating March 31, June 30, September 30 and December 31 of each year.

Accounting questions which may arise and which appear to be outside the scope of this manual should be submitted to the Board for decision.

STANDARD FORM OF BALANCE SHEET

ASSETS

Current:

Cash at office
Field cash
Cash in banks
Accounts receivable—from mortgagee
Accounts receivable—from others
Deposits receivable
Notes receivable
Notes receivable discounted
Investments
Accrued income

Sinking Fund:

Fixed:

Land
Building
Furniture and fixtures

Deferred Charges:

Insurance prepaid
Deferred operating charges
Miscellaneous deferred charges

LIABILITIES AND CAPITAL

Current:

Accounts payable
Notes payable
Security deposits
Rent prepaid
Interest due and unpaid
Dividends declared
Miscellaneous

Accruals:

Wages and salaries accrued
Interest accrued
Taxes accrued
Miscellaneous accruals

Mortgage Payable

Reserve for Depreciation

Other Reserves

Capital Stock Preferred

Capital Stock Common

Surplus

INSTRUCTIONS — BALANCE SHEET ACCOUNTS

Balance sheet accounts include assets, deferred charges, liabilities, capital and surplus. The accounts listed on the standard form of balance sheet are those generally to be found in the books of construction concerns and building operators. Where the schedule does not provide accounts which may prove to be necessary in the case where a company does its own building, such accounts should be added. In such cases there will be accounts needed to show the cost of building machinery, such as hoists, derricks and the like, for which no specific accounts are provided. Where such equipment is more or less incidental, it may be charged to building account and the proceeds credited to the account when the equipment is sold at the time of completion of the building. Where accounts are to be added which are new and not related to the accounts here set forth the approval of the Board must first be obtained.

Where a company is engaged in more than one project, the accounts must be kept to show separate costs and individual operating results for each project.

Cash at Office

Field Cash

This will show the balance of the so-called petty cash fund, kept at the office for the purpose of making small cash disbursements. In construction another account for *Field Cash* will be needed which will show the amount of the revolving fund in the hands of the Superintendent or works accountant.

Cash in Banks

This account will show the balances in one or more banks as per the cash book. The ledger account may be omitted and the balance taken directly from the cash book for trial balance and balance sheet purposes.

Accounts Receivable—from Mortgagee

This account will be opened by charging the net amount of cash to be received from the mortgagee to it, and the remainder, or financing charges, will be charged to the account by that name. The credit, being the total of the two, will be to *Mortgage Payable*. As payments are made by the mortgagee, the cash is credited to the account so that when the payments are completed the account will be closed.

Accounts Receivable—from Others

After the mortgage money has been received in full, the designation "from others" will fall away from this account. The account is generic in nature and will generally represent a number of ledger accounts which may or may not be kept in a subsidiary ledger. Whenever a receivable arises an account with the debtor will be opened and the total of these will constitute this ledger classification. Rentals due and unpaid may be put into one account.

Deposit Receivable

This account will contain deposits for water service and the like, representing money which is definitely returnable in whole or in part at some future time.

Notes Receivable

Notes Receivable Discounted

When notes are received they are to be charged to the *Notes Receivable* account and if discounted the credit is to be made to the *Notes Receivable Discounted* account and on the balance sheet the latter is to be deducted from the former. After a discounted note has been met by the maker, the first account is to be credited and the second debited.

Investments

Separate accounts will be opened for each investment made and the total shown on the balance sheet under this heading.

Accrued Income

All accruals collectible set up at the end of the accounting period will be shown in this account.

Sinking Fund

This account will be needed only where the company has secured the approval of the Board for the establishment of a sinking fund for stock retirement in accordance with section 16 of the law. In such cases this account will be charged with the amounts so set aside and specific assets must be on hand to cover the balance in the account. A corresponding amount must be segregated in *Surplus Account* to cover the assets so held.

The income from sinking fund investments, or the profit or loss on the sales of such investments, will go to this account or may become income to the company, depending upon the terms and conditions governing the establishment of the sinking fund and for which approval has been obtained from the Board.

Land

This account will be charged with the actual cost of the land, the cost of wrecking existing buildings and clearing the site, minus salvage, if any, plus the cost of acquisition, which includes legal fees, title search and policy and other incidental charges, plus Financing charges, if any, as explained below. After acquisition no further entries will be made on this account excepting the cost of any assessments which may be levied for City improvement work.

Building

In the case of construction by a general contractor, the payments to the contractor will be charged to this account, as well as the architect's fee. The following items of general expenses are also chargeable to this account:

(a) The interest on mortgage during construction and the Financing charges. Where any part of the mortgage money is used to pay for the land, Financing charges should be pro-rated between Land and Building in the proportions in which the money was used.

(b) Office salaries and expenses during construction, providing the expenditures are needed for completion of the building and not for its subsequent operation. That portion of expenditures made for operation must be charged to *Deferred Operating Charges*, to be written off against Income when the building begins to operate.

(c) Legal and other fees and costs reasonably necessary while the construction is under way.

Where the company acts as its own contractor or where the building contract is let on a cost plus basis, the construction accounts set forth below must be kept. The total of these accounts will constitute the building account and when construction is completed, they will all be closed out into the building account.

Building Construction Accounts:

Material.

Labor.

Supervision and other indirect labor.

Builder's fee.

Architect's fee.

Interest during construction.

Financing charges.

Premium on completion bond.

Office salaries during construction.

Office expenses during construction.

Insurance during construction.

Legal and accounting fees during construction.

Miscellaneous expenses during construction.

The items of material and labor must be subdivided into the following field construction accounts:

Wrecking and clearing site (the cost of this work must be closed out to land and not to building account).

Excavation.

Shoring and piling.

Foundation walls.

(The cost of the three preceding items must be ascertained also by those companies constructing under a general contract for the information is needed in order to arrive at the insurable value of the building when completed.)

Concrete and cement work.

Upper walls.

Roof.

Structural iron and steel.

Ornamental iron and fire escapes.
 Interior walls.
 Window trim and glass.
 Doors and other trim.
 Floors and stairways.
 Plaster.
 Electrical installation.
 Gas installation.
 Heating system.
 Plumbing installation.
 Tiling.
 Hardware.
 Elevators.
 Painting and decorating.
 Floor finish.
 Paving.
 Grounds.
 Special installations (refrigerators, kitchen ranges, incinerators, etc.).

The foregoing subdivisions for *Materials* and *Labor* require no further explanation. Each will probably be covered by a separate contract so that payments as made or as they become due will be charged to the respective accounts.

Supervision and Other Indirect Labor

This account will include the salary of a building superintendent where no builder has been engaged on a fee basis, assistants, time-keepers, material checkers and watchmen.

Builder's Fee

This account will be needed only where a builder is engaged for a fixed fee to supervise and be generally responsible to the owner for the work or in case of a cost plus contract.

Architect's Fee

Will include only the contractual fee plus extras, if any.

Interest During Construction

This element of cost represents the pro-rata of the cost of mortgage money during construction. Capitalization must cease when the building is completed to the point where application for a certificate of occupancy is in order or ordered stopped by the Board at a time which to it may seem reasonable and proper. Interest earned on money while in bank is a credit to this account.

Financing Charges

This account includes all costs incidental to the acquisition of the funds of the corporation. Ordinarily, it will be a building charge, but where any part of the mortgage or building loan money is used toward payment of the land, the amount in this account should be pro-rated as the loaned money was used.

Premium on Completion Bond

The premium cost of the bond to the mortgagee, if one is given, will be charged to this account.

Office Salaries During Construction, etc.

The remaining five accounts are chargeable with the expenses indicated by the headings only up to the time when interest charges cease to be a capital outlay.

Furniture and Fixtures

This account is to be charged with the cost of office partitions and equipment, as well as any furniture in hallways.

Insurance Prepaid

As insurance is paid for, in advance, the amount is chargeable to this account. At the end of accounting periods, the pro-rata applicable to the period is charged off to operations, or to construction as the case may be.

Deferred Operating Charges

When the building is nearing completion, there will generally be incurred some charges which have to do with operations and not with construction. Such items must be charged to this account and charged off against the income of the first full calendar year of operation of the building, unless a greater or lesser period is permitted upon application to the Board. The employment of the building manager or janitor to act as a rental agent is an example of such a charge.

Miscellaneous Deferred Charges

This heading will include expense inventory items, such as coal, janitorial supplies and small unclassified items awaiting disposition.

Accounts Payable

Whenever liabilities are incurred the asset or expense account is to be charged at once and an account payable credited. When such a liability is discharged, the account payable will be charged.

Notes Payable

This account embraces liabilities for which notes are given. Otherwise the procedure is the same as in the foregoing account.

Security Deposits

This account will be used to record deposits received and returnable at a future time either in cash or rental credit.

Rent Prepaid

This account will be credited only at the end of every accounting period with rentals paid in advance. At the beginning of the new period the account will be closed by a journal transfer to the current rental income account.

Interest Due and Unpaid

This account will be used only in cases where for any reasons interest remains unpaid although due. When interest credited to *Interest Accrued* account remains unpaid, when due, it must be transferred to this account.

Dividends Declared

Whenever a dividend is declared in one accounting period which is not payable until the next accounting period, the *Surplus* account will be charged with the full amount of the declared dividend and this account credited, immediately after dividend action has been taken by the Board of Directors. Thus, if a dividend is declared during the month of December which is payable in January, the books as of December 31st will show the amount of the dividend as a liability of the company and as a corresponding reduction of surplus. A dividend declared and paid within one accounting period may be charged to surplus when paid.

Miscellaneous

This caption will include any other current liabilities not specifically enumerated above.

Wages and Salaries Accrued

When the end of an accounting period falls within wage or salary periods, the amounts earned but not due must be computed to the last accounting day, charged to the *Salary* or *Wage* account provided and credited to this account. At the beginning of the next accounting period such entries must be reversed.

Interest Accrued

Taxes Accrued

Miscellaneous Accruals

The procedure is the same as in the foregoing case, excepting that the entry on Federal taxes is not to be reversed. *Taxes accrued* will be credited with the current year's Federal income tax, to be paid the following year, and charged to *Surplus*. This entry occurs only at the end of the year.

Local taxes on the land, as in New York City, become due and payable within the calendar year. For that reason the *Taxes Accrued* account will contain no balance from this source at the end of the year. At the end of the first quarter *Local Taxes* should be charged with the estimated one-quarter of the annual tax and *Taxes Accrued* credited. During the second quarter the bill for the year will come in and one-half paid. *Taxes Accrued* will be charged with the amount credited during the preceding quarter and the remainder charged to *Local Taxes*. During the third quarter a further quarter of the amount of the annual bill will be charged to *Local Taxes* and credited to *Taxes Accrued* and in the fourth quarter, when the second half of the tax will be paid, *Taxes Accrued* will be charged with half of the amount paid and *Local Taxes* with the fourth quarter of the tax.

Miscellaneous accruals will include any other accrued liabilities definitely chargeable against the current year's operations.

Mortgage Payable

After the mortgage or building loan has been negotiated *Accounts Receivable from Mortgagee* will be charged with the net amount to be received in cash, *Financing Charges* with the deductions for the cost of the loan and this account credited with the full amount ultimately to be repaid.

Mortgage payable is a long term obligation excepting those instalments due within one year from any accounting period. The amount of the latter must be shown as a current liability on reports to the Board.

Reserve for Depreciation

A charge for depreciation begins as soon as interest and other costs cease to be capital charges. The allowable annual rate will be determined in each case by the Board. In any event a minimum annual depreciation of $1\frac{1}{2}$ per cent of the total cost of the building, as shown by the *Building* account, must be taken unless otherwise provided by the Board.

If the company owns office furniture and fixtures a separate division of the depreciation reserve account should be set up. The rate of depreciation usually taken is 10 per cent.

Other Reserves

Provision must be made under this heading, upon an estimated basis, for any probable costs against an accounting period, where the fixation of the amount and payment thereof may be expected in a future accounting period. Legal services in a lengthy litigation or a claim against the building for damages are examples. Other reserves, other than the sinking fund, as provided by section 16 of the law come under this heading when permitted by the Board.

Capital Stock—Preferred

If preferred stock is issued the accounting procedure shall be the same as in the issuance of common stock (procedure described in next paragraph).

Capital Stock—Common

Only the capital stock issued and fully paid shall be credited to this account. At the time of organization and when subscriptions to the company's stock are being received, accounts will be opened with each subscriber under the general balance sheet classification *Accounts Receivable—from others*, a charge made for the amount of the subscription, the credit being to a temporary account *Capital Stock subscribed but not issued*. No stock is to be issued until fully paid for in cash, or, pursuant to section 35 of the law, for property upon a valuation approved by the Board. As payments are made the account of the subscriber will be credited. When an account

has been paid in full and the stock has been issued, a journal entry will be made transferring the amount involved from the temporary account to the *Capital Stock—Common account*.

In addition to the accounts here prescribed each company must install the corporate records required under the corporation laws of the State.

Surplus

All operating accounts must be closed out to the profit and loss account at least every three months and the resultant balance must be transferred to *Surplus* at the end of the year or at the end of the last quarterly period preceding contemplated dividend action, but only after permission of the Board has been obtained for such transfer. Dividends declared and charges attributable to a former year are proper charges to this account. At the end of the year and after the net profit has been ascertained, *Surplus* will be charged with the computed amount of the Federal income tax to be paid during the course of the ensuing year and *Taxes Accrued* credited. Credits will come only from the *Profit and Loss* account and from income items applicable to former years.

A debit balance in this account must never be created as a result of dividend action.

The surplus account as here outlined is designed to show at any time the accumulated earnings of the company and the dividends declared. Where a company operates more than one project all debits and credits to this account must be shown separately by projects so that the contribution to the existing *Surplus* at any time by each project may readily be available.

Where a company has obtained permission to accumulate a sinking fund to retire capital stock and assets are being segregated for this purpose and a *Sinking Fund* account has been opened, a similar segregation of surplus must be made to set aside the amount of the sinking fund. Also, where a company under the terms of its mortgage agreement is obliged to accumulate earnings in excess of the reserve for depreciation in order to meet its amortization payments, such accumulated surplus must also be segregated. Any surplus above these two segregations will be subject to the 12 per cent limitation fixed in the law. A company may therefore have its surplus segregated and shown as follows:

- Surplus (a) By way of mortgage amortization requirements.
- (b) Set aside for sinking fund.
- (c) Unencumbered.

Where a company operates more than one project, segregations (b) and (c) having to do with the general corporate status, will not be duplicated but segregation (a) will be entered separately for each project.

STANDARD FORM OF PROFIT AND LOSS ACCOUNT

Income:

Rent—apartments.
Rent—stores.
Other rent.
Discounts received.
Other income.

Expense:

General repairs.
Plumbing repairs.
Roof repairs.
Redecorating.
Water.
Light.
Telephone.
Janitorial salaries and wages.
Janitorial expense.
Boiler room wages.
Boiler room expense.
Fuel.
Elevator salaries.
Elevator expense.
Upkeep of grounds—wages.
Upkeep of grounds—expenses.
Insurance.
Depreciation.
Local taxes.
Interest on mortgage.
Other interest.
Rent loss—apartments.
Rent loss—stores.
Rent allowance—apartments.
Rent allowance—stores.
Office salaries and rental commissions.
Office expense.
Legal and accounting fees.
Miscellaneous expenses.
Service expenses.

Profit and Loss.

INSTRUCTIONS—PROFIT AND LOSS ACCOUNTS

This classification embraces all accounts having to do with the direct operations of the building as well as the overhead costs incidental to management and the financial income and expense

of the company. The resultant figure reflects the net result of operations as either a gain or loss.

Subsidiary accounts, providing for finer classifications than here provided may be added at the option of the company.

The foregoing accounts must be kept by projects and pro-ration of all general overhead charges must first be approved by the Board. Attention is drawn to the fact that while the classification of expense accounts does not provide for a division as between apartments, stores and other enterprises, the accounts must be kept so that this division is available for report and analytical purposes.

These subdivisions will be in order in such accounts as general repairs, plumbing repairs and redecorating where some expenditures may definitely be allocated to apartments or to stores, or to other business enterprises, while others will have to be pro-rated. The allocations may be made in the invoice register or other subsidiary records and the general ledger accounts subdivided accordingly.

Rent—Apartments

Payments of rent as received will be credited to this account. It will be found advisable to run a column for rental receipts in the cash book so that the total may be posted monthly. In view of the fact that rentals are ordinarily paid monthly in advance, certain adjustments will be needed at the beginning and end of each accounting period, so that the period will be credited only with the rental actually earned during the period. It will be recognized that the earnings are not predicated in any way upon the cash receipts for the period. If toward the end of the accounting period rental payments are made for the ensuing month, that is, the month following the current accounting period, the amounts must be directly credited, or transferred by journal entry, to *Rent Prepaid*. If, on the other hand, any rentals for the current period have not been paid, they must be set up by journal entry charging the appropriate *Accounts Receivable* account and crediting *Rent Apartments* account. The essential point is to see that, if the accounting period is three months, there is a credit for three months' rental for every apartment that has been occupied for the full period, or a credit for the proper part of the period during which an apartment has been occupied. If an initial concession is made to a lessee, the *Rent Apartments* account must nevertheless be credited with the rental so allowed and *Rent Allowance Apartments* account charged. At the beginning of the accounting period, the amount in the *Rent Prepaid* account as set up in the preceding period is transferred to the *Rent Apartments* account.

Rent—Stores

This account is used to record store rentals in the same manner as the preceding account, except that in the case of allowances *Rent Allowance—Stores* is charged.

Other Rent

This account will be used to record the rentals from auditoriums, laundries, meeting rooms, gymnasiums, or any other enterprises which may be operated in the building. Where a project has a number of such services it will prove advisable to install accounts in greater detail than is given in this manual. In such cases the Board should be provided with the proposed additional chart of accounts for its approval.

Discounts Received

This account is credited with amounts earned in the shape of discounts taken for prompt payment of bills. The bills when received are taken up at the billed amount and the allowable discount becomes an income to the company only if its financial condition permits of payment within the discount period.

Other Income

This heading will cover one or more accounts, the most important of which will be the income from investments other than in the land and buildings and income from services of various kinds rendered to tenants. These latter income items must be kept in such a way that they may readily be enumerated in reports to the Board.

General Repairs

This account will be charged with all repairs for which other specific accounts are not provided.

Plumbing Repairs

Roof Repairs

The titles of these accounts sufficiently indicate the nature of the expenses which are to be charged to them.

Redecorating

This is a recurrent cause of outlay and a specific account is therefore provided for this type of charge.

Water

Where water is billed on a frontage rate basis an apportionment must be made, charging this account only with the estimated cost of the water furnished tenants. The remainder will be charged to *Boiler Room Expense* and *Upkeep of Grounds* and possibly also to *Janitorial Expense*. Where water is metered it will prove advisable to run the water for tenants through one or more meters and the water for the operation of the building through another. Regardless of local charging practice the cost of water to tenants must be borne by the building, if the service is included in the rent.

Light

The cost of electric current or gas used for illuminating hallways, elevators and boiler rooms is chargeable to this account. It will not be necessary to apportion this charge as in the case of water even though a certain amount of electric current may be transformed for operation of electric bells and door openers. The current used for operation of elevators, however, must be charged to *Elevator Expense*. Current used in this way is generally metered and billed separately.

Companies may decide to contract for all the electric current to be used in a building in order to obtain the benefit of quantity rates, and then to bill each tenant on the basis of consumption as per meters for each apartment or store. Where this is done the tenants must be charged for their respective amounts under *Accounts Receivable* and the building under the *Light* and *Elevator Expense* accounts. If tenants are billed at rates yielding a profit to the company, such profit must be shown under *Other Income*.

Telephone

This account may appear twice, once under the heading of *Accounts Receivable* and again as an operating account. Where a building gives its tenants telephone service on the basis of free incoming calls and a charge for outgoing calls, the charges to the tenants will be accounts receivable to be collected. A record of such calls will be kept at the switchboard as they are made. Upon receipt of the telephone bill, the tenant calls will be checked off and charged to the respective tenants, the remainder being management calls and chargeable to the *Telephone* account. Any small profit made on the service to tenants may be absorbed in the cost to the building, for such profit is in reality merely a partial payment toward the cost of operating the switchboard.

If a company installs one or more telephone booths for the use of the tenants and if it secures any income thereby, such income must be shown under *Other Income*.

Janitorial Salaries and Wages

This account will be charged with the salary paid to the employee primarily responsible for the operation of the building, regardless of what his title may be. It will also include the wages of scrub women, window cleaners, if any, and porters or handy men.

It may happen that one or more employees in the foregoing category may receive in lieu of pay, or in part payment of their compensation, an apartment in the building. Where this is the case, the income value of the apartment computed at regular rates, must be charged monthly to this account by journal entry, and credited to *Rent—Apartments* account.

Janitorial Expense

This account will be charged with the cost of soap, washing powders, brushes, brooms, mops, metal polish and similar items.

Boiler Room Wages

The wages of enginemen and firemen are chargeable to this account. Where the building is not large enough to warrant separate employees for this purpose and where all boiler room work is done by janitorial assistants, the account need not be used.

Boiler Room Expense

The items to be charged to this account include water, grates and other replacements and repairs.

Fuel

Fuel as bought will be charged to this account. At the end of the accounting period the estimated value of the fuel on hand will be credited to the account and charged to *Miscellaneous Deferred Charges*. At the beginning of the next accounting period this entry will be reversed.

Elevator Salaries

Elevator Expense

Where push button elevators are installed, there will not be any salaries of elevator operators even though the elevator may be operated for a certain period each day by a janitorial assistant. The deciding question in such a case is whether the employee would be on the staff anyway even though there were no elevator.

Upkeep of Grounds—Wages

Upkeep of Grounds—Expenses

The cost of water, fertilizer, seeds, plants and other similar expenses are chargeable to this account. If a gardener or other employee is employed, his compensation should be charged to the *Upkeep of Grounds—Wages* account.

Insurance

As insurance is taken, the cost is charged to *Insurance Prepaid*. The amount applicable is then computed for each accounting period and charged to this account. Workmen's compensation insurance should be accrued for the estimated amount above the basic deposit.

Depreciation

A provision for general decrease in the value of the building through age and usage must be made. This is done by a charge to this account and a credit to *Reserve for Depreciation*. The amount is computed on the total cost of the building as defined in this manual and as shown in the building account, at an annual rate subject to approval by the Board. Depreciation on furniture and fixtures must be taken at appropriate rates which are usually at 10 per cent. per annum.

Local Taxes

To this account will be charged all local taxes, but not assessments, as outlined under *Taxes Accrued*.

Interest on Mortgage

This cost is usually payable semi-annually. An accrual entry must be made at least every three months, the charge being to this account and the credit to *Interest Accrued*. As mortgage interest payments are made they are charged to *Interest Accrued*.

Other Interest

To this account will be charged the interest on other borrowings, or on security deposits.

Rent Loss—Apartments

As unpaid apartment rents previously charged to *Accounts Receivable* prove uncollectible they should be charged off to this account.

Rent Loss—Stores

As unpaid store rents previously charged to *Accounts Receivable* prove uncollectible they should be charged off to this account.

Rent Allowance—Apartments

Rent Allowance—Stores

The use of these accounts is explained in connection with the *Rent* accounts.

Office Salaries and Rental Commissions

Office Expenses

These accounts are intended to record the salaries and expenses of the company's administrative office. Where a company operates only one project the entire charge will naturally be against that one project but where more than one project is operated, the charges must be pro-rated against each project and the proposed method submitted to the Board for approval. Where an agent is employed to collect rents and administer the building, his commission must be charged to *Office Salaries and Rental Commissions*.

Legal and Accounting Fees

This account should be pro-rated, where there is more than one project operated, subject to approval of the Board. Concretely, where legal fees are incurred in a matter having to do solely with one project, the charge should be to that project. Where the fee is incurred in a matter affecting the corporation's general interest, the amount should be pro-rated.

Miscellaneous Expenses

This account is intended for any expenses for which no separate accounts are prescribed.

Service Expenses

This account should be kept in sufficient detail to show wages and expenses which may be incurred by the various services which a company may give its tenants, as enumerated under *Other Rent*.

Profit and Loss

At the end of the accounting period this account may show a credit balance from former periods for the transfer of which to the *Surplus* account the approval of the Board has not been obtained. All profit and loss accounts are closed by journal transfer to this account, the resulting balance showing either the profit or loss for the period. If the result is a loss and if there is no profit balance from preceding periods in the account, it may be closed to the *Surplus* account. But if there is a net credit balance, approval must be first obtained from the Board for transfer to surplus.

Unusual profits or losses, for which no operating accounts are provided, should be credited or charged, as the case may be, directly to this account. Profit or loss from the sale of investments is an example.